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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [IZ](#) [IR](#)
SUBJECT: MUTHANNA: IRANIAN IRON AND STEEL INVESTMENT
NEGOTIATIONS IN FINAL PHASE

Classified By: Deputy Political Counselor Greg D'Elia for reasons 1.4 (b) and (d).

1. (U) This is a PRT Muthanna Reporting Cable.

2. (C/REL) SUMMARY: Muthanna Provincial Investment Committee (PIC) Chairman Adel Dakhel al-Yasiri told local media that the PIC has nearly completed negotiations with an Iranian company to build a 100 million USD iron and steel plant near the provincial capital of Samawah. These negotiations demonstrate continued efforts by Iran to influence the economic and political landscape in Muthanna and southern Iraq more generally. It is questionable, however, whether a heavy industrial plant of this nature could really be built or rehabilitated for this sum without considerable additional infrastructural investment. End Summary.

PIC Chairman Discusses Iranian Investment

3. (SBU) As reported October 20 in the local weekly Al-Samawah newspaper, Muthanna's Provincial Investment Committee (PIC) Chairman Adel Dakhel al-Yasiri said that the PIC has nearly completed negotiations with an Iranian company to build a 100 million USD iron and steel plant near the provincial capital of Samawah. The chairman characterized the negotiations with the Samah Iranian Industrial Company as "in the final phase," and indicated that a contract will be signed soon. Based on the information in the article and PRT follow-up contacts with an independent member of the Provincial Council, the plant will most likely be near Combat Outpost 6 (COP6). When fully operational, the plant would reportedly produce some 500,000 tons of iron per year for a variety of industrial and commercial purposes.

Local Leaders Not Surprised

4. (C//REL USA, GBR, AUS) PRT discussions with Abu Cheffat, the influential sheikh from the Albu Hassan tribe, confirm these ongoing negotiations. Abu Cheffat noted that Iran has worked slowly for many months to encourage small business development, and has attempted to co-opt certain tribal leaders and other influential individuals in the province through financial incentives and promises of investment. The recent newspaper announcement, therefore, is not terribly surprising to him. This article only reinforces what many locals have known for some time now -- that Iran has been trying to both encourage business development and promote the idea that it is doing so.

Negotiations May Not Bring Real Investment

5. (SBU) The news article discussed not only the Iranian investment, but also a broad assortment of other negotiations for investment in Muthanna. In total, the PIC chairman indicated that he is in negotiations with China, Saudi, and

Kuwaiti companies interested in investment opportunities. He claimed that these projects under negotiation reportedly would total some 1 billion USD. Negotiations do not equate to actual investments, however, and the PRT assesses that only a fraction of these negotiations will become signed contracts in the future.

¶6. (SBU) In addition, the generic 100 million USD sum mentioned by al-Yasiri raises questions about the project's viability. It is questionable whether or not an efficient iron- and steel-producing plant -- even a small one -- could be built or rehabilitated from a currently existing factory for only 100 million USD. Also, the article makes no mention of an associated power plant investment that would be necessary for the factory, as Muthanna would not be able to provide sufficient power, based on the current provincial allocation. Therefore, an iron factory would almost certainly take a far greater investment in order to be economically viable.

¶7. (SBU) Finally, it is unlikely that Muthanna's investment committee would be able to finalize such an investment without at least the tacit approval from Baghdad. PICs, generally speaking, must seek ratification of projects above 250,000 USD from the National Investment Committee (NIC). PRT staff will be scheduling a meeting in the coming few weeks with the PIC to determine how the Muthanna PIC and the NIC can interact more closely on large investment projects.

Locals Increasingly Wary of Iranian Influence

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¶8. (SBU) In Muthanna, increased Iranian influence would not be generally seen in a positive light. Sensitive research indicates that about 65 percent of Muthannans view Iran's role in Iraq's economy negatively, higher than the 50 percent average nationwide. An even higher proportion of Muthannans believe that Iran plays a negative role in Iraq's internal politics. Given these trends, it is not surprising that the proportion favoring a strengthened relationship between Iran and Iraq has dropped in Muthanna from just under 50 percent early this year to approximately 20 percent this past summer. In comparison, the nationwide rate has remained steady this year at about 30 percent in favor of strengthened ties with Iran.

Iran Using Soft Power To Influence Iraq

¶9. (C//REL USA, GBR, AUS) Comment: The PRT believes that Iran is continuing to use its soft power, in the form of investment promises, to influence the coming provincial elections scheduled for January. In doing so, Iran hopes to consolidate its influence in both political and economic circles. Even though the iron factory project would take at least two to three years to build, the discussions themselves show a level of economic activity in Muthanna. It is an open question whether the project will actually be built, or whether Iran's efforts will ultimately be successful. The PRT anticipates the level of Iranian economic activity -- both large and small -- to increase in the near future. End Comment.
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